NOMINATIONS OF JAMES JAY JACKSON AND RICHARD W. HELDRIDGE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

THE NOMINATIONS OF

JAMES JAY JACKSON TO BE A MEMBER OF THE FEDERAL HOME LOAN BANK BOARD UNTIL JUNE 30, 1982

AND

RICHARD W. HELDRIDGE TO BE A DIRECTOR OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

FEBRUARY 11, 1982

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THURSDAY, FEBRUARY 11, 1982

UNITED STATES SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 2:35 p.m., in room 5302 of the Dirksen Senate Office Building; Senator Jake Garn, chairman of the committee, presiding.

The CHAIRMAN. The committee will come to order. I apologize for starting late. The bells have been ringing all day and interrupting the committee, so I thought it was wiser to go vote and be late than be interrupted.

I do appreciate your being here, Mr. Jackson. I have letters from Congressman Jack Brooks, Ninth District of Texas. He regrets he is unable to be here personally in your behalf but asked that his statement be put in the record,which I will also do (see p. 23).

Senator Lloyd Bentsen also could not be here, but expressed his support.

I have a statement from Senator John Tower. Let me insert both Senators' statements in the record as though read.

[Statements follow:]

STATEMENT OF SENATOR TOWER

Senator TOWER. Mr. Chairman, I'm pleased to introduce Mr. James Jay Jackson, nominee to the Federal Home Loan Bank Board.

Mr. Jackson is executive vice president of Fidelity Savings & Loan of Port Arthur, Texas.

Though he is only 33, his record of achievements is indeed enviable. In addition to a rapid rise during his 8-year career in the thrift industry, he has received the Distinguished Service Award from his hometown Jaycees, and was named one of the Outstanding Young Men in America.

In addition to his obvious qualifications for this position which stem from his savings and loan experience, Mr. Jackson is a board member of the Sabine Area Homebuilders, and a member of the Society of Real Estate Appraisers.

Further, he has considerable experience in a savings and loan association chartered by the State of Texas as a stock company, having many of the asset powers being proposed for federally chartered S. & L.'s. Surely he would bring much to this evolving debate.

In conclusion, Mr. Chairman, I believe Jamie Jackson is the right man for this job at this time, and I am pleased to support his confirmation.

STATEMENT OF SENATOR BENTSEN

Senator BENTSEN. Mr. Chairman, I am pleased that the President has nominated Mr. James Jackson of Port Arthur, Tex., to serve on the Federal Home Loan Bank Board and I hope the committee will speedily approve this nomination.

Jamie Jackson has had extensive hands-on experience in the savings and loan business and is currently executive vice president of Fidelity Savings & Loan in Port Arthur, Tex. He has seen and experienced first hand the problems now facing the savings and loan industry. As this important industry moves through troubled times I believe that it is vitally important that members of the Federal Home Loan Board have real-world experience with this industry, such as Mr. Jackson has.

Mr. Jackson has a distinguished record of involvement and leadership. He was listed as one of the outstanding young men in America, has won the Port Arthur JC's distinguished service award, has been president of his local chamber of commerce and has been active in a number of other civic and community activities. The problems of the savings and loan industry are great, and the job for which the President has nominated Mr. Jackson will be a challenging one. I believe that Jamie Jackson is up to the challenge and that he will be a valuable addition to the Federal Home Loan Bank Board. I urge the committee to give quick approval to this nomination.

The Chairman. Maybe we should just close the hearing with all the bipartisan support. [Laughter.]

But at this time, we'd be happy to hear any statement that you wish to make.

STATEMENT OF JAMES JAY JACKSON

Mr. JACKSON. Thank you, Mr. Chairman. It is indeed a privilege and an honor to be here as President Reagan's nominee to the Federal Home Loan Bank Board. These are certainly critical times facing the savings and loan industry, but I believe it's an exciting challenge to be nominated for this position.

As was stated, I am Jamie Jackson. I'm 33 years old, married, and have two children, and I reside in Port Neches, Tex. I was educated in the Louisiana school system and graduated from Louisiana College in 1970 with a B.A. Following graduation from college, I taught high school for 2 years and entered the savings and loan business in 1972, having begun as a management trainee. Since 1974, I have been with Fidelity Savings & Loan Association of Port Arthur, Tex., which is a stock-chartered association, serving presently in the capacity of executive vice president, in charge of the day-to-day operations of the association. Fidelity is a $140 million stock company with 11 offices in different parts of the State of Texas.

I firmly believe that the savings and loan industry, as it was prior to 1978, will not be in existence in the future, that we're in a

time of change. I am very fortunate to have been in the savings and loan business during the time that it has been changing, and I have been able to change with the industry.

I think the industry presently is facing a twofold problem. First of all, we're facing a short-term problem which I can best define as survival. The savings and loan industry is faced with record high interest rates and unbelievable pressure for deposits from nondepository institutions such as money market mutual funds. Our assets and liabilities are not matched to the extent of those of many other financial institutions, and it's put an undue burden upon the S&Ls at this time.

I fully support the program that Chairman Pratt and the Federal Home Loan Bank Board have taken in regard to FSLIC, a program of consolidation of the weaker institutions with the stronger institutions, I believe we need to continue to work to bring new capital into this industry. One of our problems in the industry is we are not capitalized to the extent that we need to be. If I am confirmed by the Senate, I would look forward to continuing to work in that direction of consolidation.

I think another major area that the Federal Home Loan Bank Board needs to be involved in, is seeing that there is a viable secondary market that the S. & L.s can operate under and can turn their old mortgages into liquidity or turn their new mortgages into cash, as they sell them in the secondary market.

I am aware that as a Board member, I would serve as a member of the Board of Directors of the Federal Home Loan Mortgage Corporation. I believe I would bring to that body a number of years experience as an S. & L. executive, totally involved in the secondary market since 1974. For 3 years Fidelity was among the top 100 sellers of mortgages in the United States. I would look forward to having an input into the secondary market program through Freddie Mac and continuing its direction, such as a guarantor program, to help the liquidity problems of the S. & L.s.

The second problem that's facing the S. & L.s I feel very strongly about is the need for a long-range solution to the problems, to see that we in the industry do not face this problem again. I wholeheartedly support Chairman Pratt's bill, called the Thrift Institutions Restructuring Act, which has been incorporated into the Garn bill, because it expands the S. & L.s investment powers, and gives them the ability to use rate-sensitive instruments. It also gives them the opportunity to get deposits from sources such as corporations and business, which many S. & L.s at the present time are not able to attract.

Being a stock-chartered association in Texas, Fidelity has operated under most of the powers now being considered. As a stock association in Texas we have had the opportunity to invest directly into real estate, make unsecured consumer loans, make consumer commercial loans, and attract noninterest bearing commercial checking accounts. Fidelity Savings and Loan was profitable in 1981, due to those asset powers.

I would like to emphasize that to those associations that have been operating under those powers have not deemphasized their commitment to housing. Rather, they have been able to expand their commitment to housing by being able to offer more services

to those people related to the housing industry, such as builders, realtors, title companies, et cetera.

I also firmly support Chairman Pratt's position of continuing the deregulation process of the savings and loan industry, and as a person who's involved in the day-to-day operation of the savings and loan industry, I would look forward to being able to help him evaluate existing regulations to see if they're meeting the Board's goals or if they are hindering the S. & L. industry, as well as evaluate proposed regulations pertaining to new powers and new programs the S. & L.s might be given by the Congress.

This is an exciting time, I believe, to be a part of the Federal Home Loan Bank Board, a time that the industry possibly could be restructured, and a time that it can build for the future, and I would look forward, if confirmed by the Senate, to have a part in that program.

In conclusion, I would say, Mr. Chairman, that as a young man, one of the things that I looked forward to the most was being able to raise a family in a decent house and being in a nice environment. I have had that opportunity. I would like to work hard to see that the young people who follow me also have that opportunity to meet the housing needs of their families.

The S. & L.s cannot solve all the economic problems now facing America, but given the right opportunity, they can continue to meet the basic need that all Americans have, and that's housing.

I thank you for your time, Mr. Chairman, and now I would answer any questions that you may have.

[Complete statement follows:]

STATEMENT OF JAMIE JAY JACKSON, NOMINATED TO BE A MEMBER OF THE FEDERAL HOME LOAN BANK BOARD, BEFORE THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS OF THE UNITED STATES SENATE

Mr. Chairman:

I am both pleased and honored to have been nominated by President Reagan to serve as a member of the Federal Home Loan Bank Board.

I am not unmindful of the critical times through which our industry is passing, and am excited about the possibility of making a definite contribution to both the survival of the thrift industry and the restoration of the opportunity to acquire affordable housing to all Americans.

The savings and loan industry is going through a period of rapid change. Its success depends upon its ability to adapt to change and, at the same time, meet the traditional needs of the consumer, the home builder and the saver. No longer can the industry rely upon stable interest rates, government subsidized mortgage programs, and protective laws that keep out competition. Deregulation is upon us and we must learn how to adapt to it.

I am thirty-three years old, married, and have two children, aged seven and four. I received my education in the Louisiana school system, and I am a graduate of Louisiana College, where I received my B.A. degree in 1970. I also had the honor to serve for two years as a student body president of the college.

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After graduating from college, I served for a period of time in the United States Army Reserve and then became a history teacher in Port Arthur, Texas. I entered the savings and loan business in June 1972, with an association in Port Arthur, Texas. In January, 1974, I joined my present association, Fidelity Savings and Loan Association, also in Port Arthur. At the present time, I serve as Executive Vice-President, and in that function am responsible for all aspects of the savings and loan's operations. I am active in my church and in my community, and have received the distinguished service award from the Port Arthur Jaycees.

The savings and loan business, as we knew it prior to 1978 will probably never return. The new savings and loan business, as now being practiced by many associations, including my association, Fidelity Savings, is upon us. I believe the savings and loan business faces many changes in the coming decade. These changes require new insight into the industry's problems and possible solutions.

The problems as I see them are twofold. First, there is a short-range problem, which I can only define as survival. The industry is facing severe financial pressure, due to record high interest rates and competition from non-depository institutions, such as money market mutual funds. Due to the industry's inherent mismatch of assets and liabilities, savings and loans are unable to compete effectively in the marketplace or to adjust to the new environment at the rapid pace demanded by today's bleak economic picture.

In the short run, I thus believe the function of the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation will be to effectuate a process of consolidation of weaker institutions into stronger institutions in order to preserve the viability of the industry. This will include many new and innovative techniques for mergers and acquisitions, both within the industry and outside the industry. New capital also will have to be infused into savings and loan associations, and the attractive advantages of ownership of the savings and loan association will have to be forcefully presented to other segments of the business community. I applaud Chairman Pratt's initiative in this regard and concur wholeheartedly with his efforts to preserve the FSLIC's insurance fund through innovative means, such as unassisted mergers, the liberalization of reserve requirements, and the availability of new mortgage programs.

A viable secondary mortgage market is also a very important part of the short-run solution to the association's problems. By utilizing the services of the Federal Home Loan Bank System and the Federal Home Loan Mortgage Corporation, associations can preserve their liquidity position and be able to meet the needs of their customers with a constant flow of available funds.

I am aware that as a member of the Bank Board, I also serve as a member of the Board of Directors of the Federal Home Loan Mortgage Corporation. In this capacity I will be

able to utilize my expertise as a senior officer of a savings and loan association which is heavily involved in the secondary mortgage market to further expand the services of Freddie Mac (as we know it) to the financial community. Savings and loan associations presently have many varied mortgage instruments which constitute attractive investments to the investment community. These instruments are secured by housing, the best collateral available. With the advent of the Freddie Mac guarantor program and other similar programs initiated by the Federal National Mortgage Association, housing should receive a new uplift and a new source of funds should be available by sale of these participation certificates, in not only the United States, but throughout the world.

Associations should be encouraged to utilize the secondary market. The basic tenet of every association's management team should be its ability to lend beyond the association's normal lending resources and to tap resources available in the secondary market. In this way, affordable housing can be provided for all Americans.

Looking beyond the short term, the long-range solution to the associations' problems has been discussed on many occasions before this Committee by Chairman Pratt. Indeed, the legislation supported by Chairman Pratt and the Administration, and known as "The Thrift Institutions Restructuring Act," which is incorporated into the Garn bill, S. 1720, provides a solution to the industry's problems in the long term. The

industry must be able to adapt to various interest rate scenarios and economic conditions, and can only do so by being able to diversify its risk through the use of many different types of investment programs. The industry must also be able to attract deposits from all sources, including corporations and other businesses, and should be able to compete in a deregulated environment with all depository and non-depository institutions that accept deposits from the general public.

To a limited degree, we have seen the results achieved by state-chartered associations insured by the FSLIC and operated in states that have deregulated the asset powers of its associations. In my state of Texas, for example, state-chartered associations are able to make direct real estate investments through the savings and loan association, and have for many years been able to make unsecured consumer loans as well as a broad range of secured commercial loans, and are able, at the present time, to offer non-interest-bearing checking accounts to commercial customers. Fidelity Savings was profitable for calendar year 1981, due to the new asset powers enjoyed by Texas associations.

Let me emphasize that it is clear that state-chartered associations in my state have not de-emphasized their role in the housing finance market as the result of these additional powers. We have established closer bonds with our builder customers, by being able to meet more of their financial needs.

Additionally, through the secondary market, as well as through innovative residential lending programs, such as alternative rate mortgage programs, our associations have been able to meet the needs of housing in the State of Texas.

I am also supportive of Chairman Pratt's program to deregulate the savings and loan industry, and applaud his efforts to do so under the present regulatory framework. I believe that I would bring to the position of a Board Member my wealth of experience in the day-to-day operations of a savings and loan association. It is important that the Bank Board understand the practical effect of a regulation upon individual associations. Also, I am most interested in assisting Chairman Pratt and Board Member DiPrete in analyzing the effect of present regulations upon the industry in general, of the adoption of particular regulations, and in seeking alternative solutions on a case-by-case basis, to problems faced by the Bank Board Examination and Supervision Staff and others in connection with particular institutions. A broad brush approach will simply not work any more.

I look forward to my service, if confirmed, as a Board Member, and especially to the time when the major emphasis of the Bank Board can turn from the problems of troubled institutions to the role the savings and loan industry will serve in the decade of the 1980s. I believe it will be an exciting time when the industry, recovered and revitalized, will play a major

role in America's general economic recovery, particularly in the recovery of the housing industry.

One of the things I looked forward to most, as a young man, was the prospect of raising a family and providing decent housing for my family in a good economic environment. I was privileged to be able to do that, and believe that such opportunities should be available to all Americans. The savings and loan industry cannot solve the country's economic problems by itself, but it can make a major contribution, as it has in the past, towards providing decent housing, in order that all of our citizens will be able to enjoy fully, the fruits of this country.

I thank you for your time, and will be pleased to answer any questions you might have.

The CHAIRMAN. Thank you very much. Could I have you stand and be sworn before we ask any questions.

(Witness sworn.)

The CHAIRMAN. I first want to warn you—it's interesting, you are 33—I was 33 when I was foolish enough to get involved in public office and run for the city commissioner in Salt Lake City. And now I am old, tired, and worn out after 16 years.

Now, you may not stay a young man very long in this town with the problems that we have this year, but I admire your courage in being willing to tackle the problem.

First of all, let me ask you some standard questions that we ask every nominee.

In order to avoid any potential conflicts, it's my understanding that you will resign your position with Fidelity Savings & Loan, that you will also sell your stock in the company; is that correct?

Mr. JACKSON. That's correct.

The CHAIRMAN. I have been advised you do intend to retain your vested interest in the employee profit-sharing plan of Fidelity, but no further employee contributions will be made on your behalf; is that correct?

Mr. JACKSON. That is correct.

The CHAIRMAN. However, you have agreed to divest yourself of your interest should the employee-managed funds ever include saving-managed funds in its portfolio?

Mr. JACKSON. That is correct.

The CHAIRMAN. Will the bank board be notified of the purchase of savings loans stocked by the fund?

Mr. JACKSON. That's correct.

The CHAIRMAN. Do you agree to recuse yourself from any position directly affecting Fidelity Savings & Loan and its FSLIC insurance?

Mr. JACKSON. That's correct.

The CHAIRMAN. Do you have any arrangements or deferred compensation agreements under which you will receive compensation after your confirmation?

Mr. JACKSON. No, sir.

The CHAIRMAN. If confirmed, do you agree to appear before this or other committees if requested?

Mr. JACKSON. Yes, sir.

The CHAIRMAN. In your statement, you indicate commercial lending and direct real estate investment powers that Fidelity enjoys as a State-chartered savings and loan helped Fidelity show a profit in 1981.

Can you give me the approxiate percentage of Fidelity's portfolio that is presently in residential mortgages?

Mr. JACKSON. Yes, sir. The total assets of Fidelity Savings at yearend was $140 million. We had $107 million in long-term loans, $10 million in short-term construction loans and housing, for a total of $117 million or 83 percent of our assets.

The CHAIRMAN. Does that portfolio contain any old, fixed-rate mortgages?

Mr. JACKSON. Yes, sir. I can assure you it does.

The CHAIRMAN. I bet you wish it didn't. [Laughter.]

You know, it's interesting that you say that, because as I held the hearings on the bill S. 1720, at that very table over here were sitting the homebuilders and realtors and over here the savings and loan people. And the realtors and homebuilders most vociferously opposed the legislation, not just the due-on-sale, which was anticipated, but the whole legislation in general, calling it radical. And if this passed, the savings and loan would simply get out of the home loan business.

It was interesting, I didn't have to say too much at that point. The dialog started going back and forth here at that table, with the savings and loan people turning and saying, "Hey, that's where our expertise and our experience is. That's what we want to do. We will continue to do that. And right now we're not making you any loans, we're simply not making any residential loans. We're out of the business now. We're not helping you finance homes because we're not profitable. Unless we find some way to be profitable, we're not going to be around to make loans at all."

Despite that direct contradiction right there, they still hold that the savings and loans aren't telling the truth. At least it isn't that they're lying about it, but simply that they really can't perform in that manner.

So, it's interesting to me to hear you say that you were profitable when I know of no savings and loan in my State that was profitable last year. I know some of them that haven't made any mortgage loans for 2 years at all and are still not profitable. And I'm constantly being told that if thrifts get any amount—reasonable amount of additional powers, that they will get of the mortgage lending business. Your testimony certainly doesn't indicate that, with 83 percent of your assets still in the construction end of it.

Mr. JACKSON. No, sir. We have found that the additional powers that we were given in Texas, as a State association, have increased

our ability to be part of the housing sector. For instance, now that we have provided the builders the interim to build the houses and provided the permanent for the people to buy those houses, we have picked up the builders' checking accounts. It has been much easier to disburse interim construction draws because we're able to put the money directly into their accounts. We have been able to establish better relationships with our title companies, because prior to that, whenever we disbursed a permanent loan, we disbursed it directly to the title company, who put it in its bank, then 2 or 3 days later paid it to the seller, who 2 or 3 days later eventually deposited it in his bank. That money took time to get around to the different financial institutions, but now we can disburse money directly into the title company's checking account.

We are able to meet many of the short-term needs of our builders because we know their operation well and can determine if it is good sound lending judgment to loan them money on an unsecured, short-term basis.

We also found many of our builders have come to us and asked to joint venture with us, either in the homebuilding business or the land development business.

We are able to meet more of their financial needs than we could before we had the asset powers.

The CHAIRMAN. Does the profitability that you've gained from your commercial lending and your real estate investments permit Fidelity to make new mortgage loans at a lower rate than some of your competitors who don't have this expanded authority?

Mr. JACKSON. I would not say it gives us the ability to make the loans at lower rates. I think our profitablity enables us to be more in the marketplace, continue to be a viable institution and do many different things that help the builders and the realtors.

The CHAIRMAN. You indicated Fidelity's expanded asset powers actually made it easier for the institution to meet the financial needs of the builders.

Can you give us any examples of benefits accruing to homebuilders or developers from these expanded powers other than what you've said about being able to put it more quickly in their construction loans, and so on?

And do you feel that there are any benefits that flow to realtors as a result of having had these expanded powers?

Mr. JACKSON. We believe that because we had the expanded powers we were able to tie a close relationship to our builders. As I stated earlier, we were able to meet a lot of their short-term financing needs that we were not able to before.

We also believe, because of our profitability, the expanded powers enabled us to lend more. We were able to become part of more ventures than we would have been able to do had we not been in a profitable position.

As far as our relationship with our realtors, we have been able to maintain a flow of funds for the purchases of the homes that they are representing. We have been able to continue to make home loans through this period because of our profitability and because of our cash positive flow.

In 1981, Fidelity Savings, with these powers, was able to make 30.9 million dollars'worth of mortgages pertaining to housing. For a $140 million association, though this is not nearly our record-setting year, it is a good percentage considering that many people were not able to buy housing because of the high interest rates in the marketplace and because the demand simply wasn't there.

The CHAIRMAN. Do you feel if the federally chartered S. & L.'s had been given these expanded asset powers 3 or 4 years ago their financial condition would be better today?

Mr. JACKSON. Yes, sir, I do. I believe if we had these expanded powers, first of all, you would see more people willing to buy S. & L.'s or other S. & L.'s willing to merge and take over other S. & L.'s, because they would have these powers and they would see the future of the S. & L. industry.

Second, I believe that many S. & L.'s, if they had these powers, would be able to convert from mutual to stock form and be able then to raise capital, which is an area that we need very desperately today for many of the weaker S. & L.'s.

Since they don't have stockholders, they're not able to raise capital by selling stock. I believe if these powers would have been in existence earlier, the S. & L.'s would have been in a stronger position today.

The CHAIRMAN. And what effect do you think that would have in general on the thrifts and their participation in the housing market? More or less participation over these last 4 years?

Mr. JACKSON. I believe the S. & L.'s will continue to participate in housing. I feel the S. & L.'s are becoming family financial centers, where making the loan on a house is only going to be part of meeting financial needs of a customer.

After all, if an S. & L. goes through the process to approve a person for his $60,000, $70,000, or $80,000 loan, then it should be able to lend that person the money to buy a car, buy furniture, or put a fence in his backyard—lending that until recently only the banks have been able to do.

I feel such lending would just be an extension of the S. & L.s' commitment to housing.

The CHAIRMAN. With the present condition of the thrift industry, assume that these powers were granted, you've been in it for some time, but do you think that they could handle those new powers, start to assimilate them without exacerbating their present difficult financial condition?

Mr. JACKSON. Yes, sir, I do. I believe that the S. & L.'s expertise is in housing, and I believe that the S. & L. industry realizes that. Before S. & L.'s would use expanded powers, management would develop or hire the expertise that they would need to use these powers. For instance, the association that I am with hired a president of a bank because we did not have the expertise in commercial lending or the expertise, to any great degree, in making consumer loans. We went out and hired the expertise and brought it into the association.

The CHAIRMAN. Obviously, I'm sure you're aware that something that has been very controversial, as S. 1720, has been the due on sale. One of the reasons that it has, among those who are not in

the business, is because the impression has been given that it would do away with all the assumable mortgages, which simply is not true, only those that have due-on-sale clauses in them. And furthermore, it hasn't been widely stated that there was a provision that I put in that would allow State legislators 3 years to say, "Hey, we don't agree with that preemption, and we're not going to allow it to take place."

But be that as it may, I am hopeful that some kind of a compromise can be worked out on due-on-sale, because it seems to me there is a dual problem certainly being tied down with a lot of old, long-term, low-rate, fixed-rate mortgages. It's difficult on the thrift industry.

I can also understand, if I were a realtor or a home purchaser—if I were looking for one now, I certainly would look for an assumable mortgage before I'd pay 15 or 16 percent. So I understand both sides of the question.

So, what I am asking—and hoping that a compromise could be worked out—do you think there's some formula or other standard that could be developed where a mortgage could be allowed to be bumped up somewhat so that savings and loan is in better shape but the realtor and purchaser of that home, the borrower of that money, would be getting a rate below market rate and be helpful to them as well?

Mr. JACKSON. Mr. Chairman, I can only speak from experience, on what our association and many others are doing. We are escalating assumable mortgages under the due-on-sale, but we're escalating them to a below-market interest rate. At Fidelity we use a formula where we determine the present balance of the mortgage, the current loan rate and the additional amount we're advancing on that same property. We calculate our necessary return on the additional amount we're advancing, include the balance at in a bumped-up rate, and come up with a rate that is considerably below the market. We allow the customer either to assume the mortgage or make a new mortgage on that particular home.

In our area it has been very successful: the realtors work very well under the program, the buyers are getting a below-market interest rate, and the savings and loan is definitely increasing the yield it has on the present mortgage.

The CHAIRMAN. I would certainly hope we could work out that kind of a compromise rather than people just blindly opposing, recognizing that some middle ground might be helpful to a large number of people, consumers, realtors, and savings and loans as well.

Everybody is in the same difficulty. I see no way that you can raise one ship in the harbor without raising the level of the water, each ship fighting themselves.

So, I am very impressed with your testimony. I hope that certain groups would take note of it, from a situation where there has been actual experience at working with these, and not just blindly oppose on the basis that this is going to put the S. & L.'s out of the housing market.

It's my feeling, the way things are going, I can guarantee you they're going to be out of the housing market if there is not some kind of help forthcoming. And that isn't even beginning to talk about the other problem of money market funds.

I have no additional questions for you. I apologize that we haven't had more members here today to hear your testimony because you've been a very impressive witness and very knowledgeable—at any age, especially at 33, to have that kind of background and such good, crisp, direct answers to my questions.

I'm sure other members of the committee, both Republicans and Democrats, would like to ask you some questions. And so, if you would be willing to respond to them in writing, we would include them as part of the record.

Mr. JACKSON. I surely will.

The CHAIRMAN. Do you have anything you'd like to add before we close the hearing?

Mr. JACKSON. No, sir. I would again say I am very honored and pleased to be nominated and, should the Senate confirm me, look forward to working with the Bank Board and with the Congress.

The CHAIRMAN. Thank you very much. We appreciate your coming. We will expedite your process of confirmation as rapidly as we can.

The committee will stand in recess until 3:15, when we will have a nomination hearing for Mr. Richard Heldridge, to be a Director of the Export-Import Bank of the United States.

[Recess.]

[Biographical material and an additional statement on Mr. Jackson follow:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: JACKSON, (LAST) James (FIRST) Jay (OTHER)

Position to which nominated: FEDERAL HOME LOAN BANK BOARD MEMBER Date of nomination:

Date of birth: 31 (DAY) 7 (MONTH) 1948 (YEAR) Place of birth: Jennings Hospital, Jennings Louisiana

Marital status: Married Full name of spouse: Pamela Ann Knight Jackson

Name and ages of children: Scott Allen, 7
Beth Ann, 4

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Jennings High School	1962-66	graduate	1966
McNeese University	Summer '66	--	
Louisiana College	1966-70	B.A.	1970

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Distinguished Service Award, Port Arthur Jaycees-1977

Outstanding Young Men in America-1974

Associate Member of the Year, Sabine Area Homebuilders Ass'n 1976

Who's Who in America Colleges & Universities-1969 & 1970

Student Body President, La. College-1968-69 & 1969-70

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Rotary Club of Port Arthur	none	1978 to present
Rotary Club of Groves	none	1974-78
Rotary Club of Nederland	none	1973-74
Masonic Lodge #249-Jennings,La.	none	1973-present
Sabine Area Homebuilders Beaumont	Board Member	1973-present
Society of Real Estate Appraisers	none	1973-present
Port Arthur Chamber of Commerce	Pres.-elect	1974-present
Groves Chamber of Commerce	President	1973-74

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Jan 1974 to present	Fidelity S & L P. O. Box 4157 Port Arthur, TX 77640	Exec. V. P.
Apr 1973 to Jan '74	Beaumont Savings Ass'n Box 1592 Beaumont, TX 77700	Loan Officer
June 1972 to Apr '73	Republic of Texas Savings 500 Procter Port Arthur, TX 77640	Branch Mgr
Nov 1970 to June '72	Port Arthur I.S.D. 733 Fifth St. Port Arthur, TX 77640	Teacher
June 1970 to Nov '70	U. S. Army Reserves Ft. Polk, La.	E-3

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

None

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

In 1978, I worked for the election of Ronald White for the City Council of Port Neches. In 1980, my wife and I worked in the Port Arthur office of the Ronald Reagan for President Campaign.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I will sever all connections with my present employer and I will resign the day of confirmation.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization. Although management has stated that they would offer me a job should I desire to return to my present employer following my term, I did not accept their offer and do not plan to return.

3. Has anybody made you a commitment to a job after you leave government?

Other than the offer indicated above in question two, No.

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Should I be confirmed, I will sell my Fidelity Savings and Loan stock and sever all relationships therewith, except for deferred benefits under employee profit sharing plan. No further contributions to be made by Fidelity or me.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None. Following the sale of my Fidelity Savings and Loan stock, there will be no conflicts of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I will sell my stock in Fidelity Savings and Loan and resign from my employment.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

STATEMENT OF CONGRESSMAN JACK BROOKS
HEARING ON NOMINATION OF JAMES JAY JACKSON
TO THE FEDERAL HOME LOAN BANK BOARD
SENATE COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS
5300 DIRKSEN BUILDING
WASHINGTON, D. C.
FEBRUARY 11, 1982

Mr. Chairman, thank you for extending me the opportunity to present this statement on behalf of my good friend and constituent, Mr. James Jay Jackson.

As you will learn today, James has excellent credentials in the banking and savings and loan industries, as well as an outstanding reputation in his home town of Port Arthur, where he has been involved as President of the Chamber of Commerce, an active member in the Rotary Club, and has given unselfishly of his time for charity work, teaching and public speaking. In addition, the respect he has earned among his peers extends beyond Port Arthur to the entire banking community in the State of Texas.

I have known James for a long time and I am proud of the record he has already established for himself at the young age of 33. I feel that his knowledge of the banking community and his devotion to public service would prove a great asset to the Federal Home Loan Bank Board. I respectfully urge your favorable consideration of his nomination.

Thank you.

The CHAIRMAN. Let's come to order. And Mr. Heldridge, while you are standing, we might just as well have you sworn now. [Witness sworn.]

STATEMENT OF CHAIRMAN GARN

The CHAIRMAN. I am happy to welcome you to the committee.

A healthy Export-Import Bank is vital to a healthy economy. The Commerce Department estimates that every billion dollars of exports provides 40,000 jobs. Trade also tends to be countercyclical. In times of recession our foreign trade tends to increase, creating the demand for goods and services that will put people back to work and shorten a recession. Cutthroat, predatory competition undermines that effect, depriving the United States of its appropriate share in world trade. Our recessions deepen, business is lost, Americans lose jobs, and budget deficits increase.

The Export-Import Bank is on the front line of our defense against predatory export financing. If the Bank fails to meet its congressionally-mandated responsibility to provide competitive financing for U.S. exports, then many people in this country will suffer. They will suffer in the shortrun, and they will suffer in the longrun, as American industry moves overseas to take advantage of export support unavailable here, and as declining American industries lose their technological edge over competitors.

I do not like to subsidize exports. It distorts the marketplace and wastes resources. I do not like war. But to avoid war you need to have a credible defense. To avoid an export credit war you also need a credible defense, and the Export-Import Bank is our Defense Department against foreign predatory financing.

Today we will consider the nomination of a member to the Board of Directors of the Eximbank. I am a strong supporter of the Bank and have shed a lot of blood, so to speak, fighting to maintain the Bank's viability. The Bank currently is facing the greatest challenges of its history. We will discuss some of these issues with you in today's hearings.

To be more explicit about the blood that I've shed, to be very blunt and explicit about it, I had a hard time with the Carter administration not only on this committee, but I happened to be on the Foreign Operations Subcommittee, along with Senator Dan Inouye. He and I did a lot of fighting over the budget with the Carter administration, and frankly I thought when the Reagan administration came in, that my battles would be over and I would have an administration that was sympathetic to exports and the jobs that go with them. But it is just as tough, if not tougher, under this administration.

I fail to understand it, and I am one who believes in a balanced budget and cutting expenditures, and I've so voted the entire 7 years that I've been here. But I fail to understand, with the economic impact on jobs, that in an effort to be equal and cut from everybody, that we cut an organization that directly produces jobs in this country, and then yesterday what we voted on was an increase in unemployment benefits. If I have ever seen expenditure cuts that I think are pennywise and pound foolish, it is what the Reagan administration is doing to the Export-Import Bank.

It just makes no sense to me at all to let Airbus take 43 or 47 percent of the market, and constantly hear, well, Boeing is big. Well, Boeing is big, but Boeing doesn't even manufacture airplanes. They assemble airplanes with parts made by more than 25,000 suppliers, most of them small businesses around this country employing thousands and thousands, tens of thousands of people collectively. And we see those jobs being lost, and then we vote in the Senate for an increase in unemployment benefits which I will guarantee you, that with the effects of jobs lost, we will appropriate more money to pay unemployment, welfare, whatever kinds of benefits than we will save by cutting the Export-Import Bank.

So I don't understand that kind of a philosophy, particularly from a Republican administration. And I think on that aspect, maybe we have got the old boys back in.

So I let you know how this Senator feels, the Chairman of the Export-Import Bank knows how I feel, I think everyone else knows down there. I also understand the problem of the Bank for the first time in history not being profitable, but again, even though I don't like to subsidize exports, I wonder where the net cost is; if it isn't maybe cheaper to subsidize those exports, keep real jobs in the private sector here, rather than just taking the few saved dollars and adding some to them to pay the unemployment benefits for those who lose their jobs as a result of the cuts in Exim.

So with that opening shot, I welcome you to the committee, and I am prepared to hear any opening remarks you would like to make.

Mr. HELDRIDGE. I have no opening statement.

The CHAIRMAN. Excuse me, before I do, may I ask unanimous consent, and I will not object, that a statement by Senator Heinz be placed in the record? He was not able to be here this afternoon.

[The complete statement follows as though read:]

STATEMENT OF SENATOR HEINZ

Senator HEINZ. Mr. Chairman, exports are important to the health of our economy, and an active and competitive Export-Import Bank is important to U.S. exports. In the last few months, however, the Eximbank has appeared anything but active and competitive. In an effort to bring about the necessary changes in attitude at the Bank, I have found it necessary to be very careful and deliberative in carrying out my responsibility to review the nominations to its Board of Directors.

The Senate Banking Committee, indeed the Senate as a whole, has often indicated its strong support for the Eximbank. That has been the position of the entire Congress, time after time. Yet, the last months have found the Eximbank woefully remiss in complying with its statutorily mandated responsibility to provide competitive financing for U.S. exports.

It has been my firm and stated intention that the mandate of Congress be complied with. Before I give my own assent to the confirmation of anyone to the Eximbank Board, I have to be assured that they fully intent to comply with their legal responsibilities, with the intent of the Congress embodied in the authority granted to the Eximbank.

Allow me, Mr. Chairman, to quote briefly from the Export-Import Bank Act. Section 2(B)(1)(A) states in part:

> The Export-Import Bank is directed in the exercise of its functions to provide guarantees, insurance, and extensions of credit at rates and on terms and other conditions which are competitive with the government-supported rates and terms and other conditions available for the financing of exports from the principal countries whose exporters compete with United States exporters.

Frankly, Mr. Chairman, the Bank has not been complying with that mandate: In all good conscience, I cannot recommend for confirmation by the Senate the nomination of any new Members to the Eximbank Board until I have been assured that it is their intention to carry out this congressional mandate.

Just to provide an illustration of what is at stake here, let me say that what we are talking about is jobs. When the United States loses exports because our export support institutions fail to provide competitive export financing, we lose jobs. All too often those are not just jobs lost for a season due to the loss of a sale, but rather they are a permanent loss of jobs due to the loss of an industry. In the last few months alone, in a number of instances, my home State of Pennsylvania has lost contracts worth more than thousands of jobs because the Eximbank failed to participate with competitive financing. There is a very real and human dimension to this issue.

Mr. Chairman, allow me to cite a few other examples that are representative of many more cases of lost jobs and business opportunities due to inadequate export finance support.

This past year the Cross C. (Michigan) elected to fill a major contract through its English and German branches, so as to be able to take advantage of official financing unavailable to them in the United States due to Eximbank loan authorization limitations. The contract was worth $20 million, which translates into approximately 800 jobs transferred to foreign economies.

A Harris Corp., Florida, sale to Jordan of $5.5 million was lost by a lack of available Eximbank support; 310 man-weeks of work were anticipated for the project.

General Electric lost $15 million of U.S. business with Brazil due to unmatched Japanese financing for installation of an aluminum hot strip rolling mill. That small case resulted in another 600 jobs lost.

Another approximately $23 million of sales by Dresser Industries was lost to foreign competition. Eximbank's reasoning for lack of support: "As you know, we are facing severe budgetary limitations on our Direct Credit Programs." Nine hundred and twenty more jobs were picked up by non-U.S. industries.

The United States holds a major competitive advantage in aerospace industries. That edge is currently in jeopardy, not due to better products, but rather to the lack of available financing at competitive terms. In April, due to its loan limitations, Eximbank had "on hold" cases involving the sale of 12 commercial airliners to different countries. While the United States was still on the ground, the European built Airbus flew to the rescue.

This month the Brazilian market for new generation commercial aircraft is at stake. If that market is lost—as well it may be due to noncompetitive export credit—the entire Latin American market

may be lost as well. That market is worth $6 billion in export sales over the next few years. That translates roughly into 240,000 man years of employment to a nation with 9 million currently unemployed.

In order to obtain the assurances that I have sought, I met personally with Mr. Heldridge, as I did on several separate occasions with Messrs. Lord and Yonge, and questioned him earnestly about his views regarding the Bank and the issues currently involving export financing. I intend to continue that inquiry.

Mr. Chairman, my intention is and has been to impress on the nominees the importance of the Bank and its congressional mandate, continually seeking to obtain that strong commitment to the Bank that is necessary for our Nation's economic health as well as for the health of various strategically critical American industries.

Perhaps the strategic argument is the most compelling. Since the Second World War the United States has relied upon its qualitative advantage to offset our adversaries' numerical advantages in manpower and weapons. That strategy has served us well, for it has drawn upon the unparalleled strength of the American economy and American technology. Over the last decade, however, that strength has been under relentless attack. Through disincentives to production and innovation, governmental restrictions that have constrained the ability of our industries to compete, and the lack of protection against the predatory trade practices of foreign competitors, the United States has been progressively surrendering its technological lead to other countries. In the arena of international trade the United States is faced with an export credit war that cannot be halted by appeasement. It threatens the very industries whose innovations are at the cutting edge of American military technology: Our aerospace, nuclear, and electronics industries. Not being able to compete for foreign sales while based in the United States, these companies are sending more and more of their production overseas where they can take advantage of export credit support unavailable to them here from an uncompetitive Eximbank. Mr. Chairman, I for one do not think that transferring the manufacture of aircraft to Japan can be in our national security interests. Yet that is exactly what is happening. How much will that later cost us to get it back, if indeed we will be able to?

These appointments to the Eximbank are very crucial jobs, for they mean a great deal to American jobs and industry. They mean a great deal to American security. They must be considered with the utmost of care.

Quite frankly, though, Mr. Chairman, it is becoming increasingly clear that many of the problems associated with our present Eximbank programs would persist regardless of who is appointed to its Board of Directors. For that reason, I intend to introduce legislation addressing serveral of the problems of structure that are so severely weakening the Bank, namely problems of the Bank's lack of independence, the politicizing of its lending authority, and the problems of negotiating from weakness in efforts to end the predatory export financing of much more heavily funded foreign official credit agencies.

This is an important hearing. As I said, I have already met with Mr. Heldridge prior to today. I am looking forward to this opportunity to further learn his views on these issues that I have raised.

The CHAIRMAN. Please go ahead, Mr. Heldridge.

Mr. HELDRIDGE. I have no statement to make, sir. I would be very anxious to discuss anything that you would like to discuss, but I have no prepared comments.

The CHAIRMAN. Thank you.

There has been a continuous debate concerning the Eximbank. The debate does revolve around the question of priorities, which is more important for the Bank: To be competitive, or to be self-sufficient? Which objective do you think is more important for the Bank to pursue?

Mr. HELDRIDGE. There is no doubt in my mind that the mandate to be competitive is the first call to the Export-Import Bank. However, I also feel that the mandate to be self-sufficient is complementary to the mandate to be competitive. I don't see a basic conflict there. I think that the ability to be self-sufficient makes the Export-Import Bank able to meet the competitive mandate more effectively.

The CHAIRMAN. Well, I would agree with you, it's important to be self-sufficient. I would disagree with you that it's a mandate in the charter. I think the mandate to the Bank to be competitive is in the charter. The mandate to be self-sufficient is not. I think that's more a matter of policy than a direct charter mandate, and it was not written into the law.

I would like the Eximbank to be self-sufficient again, too, and competitive at the same time. How do you respond to my statement that we may be paying more in unemployment benefits than we're saving by cutting the Eximbank's funding?

Mr. HELDRIDGE. I have no argument with that opinion, sir. I feel that the dollars spent at the Export-Import Bank in loans for exports would be much more effective toward helping unemployment in the United States than unemployment assistance.

The CHAIRMAN. So if you have to make a choice, if you can't do both, which choice will you make as a director? Be competitive or self-sufficient?

Mr. HELDRIDGE. My first commitment is to being competitive.

The CHAIRMAN. In the act itself the operative provision reads as follows:

> It is further the policy of the United States that the loans made by the Bank shall bear at interest rates determined by the Board of Directors of the Bank, taking into consideration the average cost of money to the Bank as well as the Bank's mandate to support the United States' exports at rates and on terms and conditions which are competitive with exports of other countries.

So there is no point in beating it to death. You have stated at least three times now that that is your first priority, to be competitive.

Mr. HELDRIDGE. Yes, sir, definitely.

The CHAIRMAN. There's been a lot of talk about the conflict that Eximbank faces between its mandate to provide competitive financing of U.S. exports and to maintain its self-sufficiency. I think that one can make really too much of the problem. Frankly, even though fluctuating interest at rates may cause occasional short-

term losses to the Bank, over the long term the basic soundness of the Bank is not affected, necessarily. Throughout all of its history the Bank has accumulated a hefty profit, returning more than $1 billion to the Treasury while increasing its own reserves by another $2 billion. Eximbank's own figures, based upon OMB projections of interest rates, show that the threat of operating at a loss would be only temporary. This would be followed by a period of large profits more than offsetting any losses incurred.

As a member of the Eximbank Board, are you willing to see the Eximbank incur temporary losses in order to meet your mandate to provide that competitive financing?

Mr. HELDRIDGE. The answer to that question is yes. However, I don't like to see the Eximbank take a loss. Nobody likes to see any organization take a loss I think that the Board should be very cognizant that a loss is not necessarily a good thing, but if it's necessary to meet the first mandate of competition then we should take the loss.

The CHAIRMAN. Do you think Congress has indicated which of these objectives its primary priority is?

Mr. HELDRIDGE. Congress has made that plain.

The CHAIRMAN. Do you think OMB has a different perspective than Congress on that issue?

Mr. HELDRIDGE. Apparently they do.

The CHAIRMAN. More than apparently.

Mr. HELDRIDGE. I'm sure it's more apparent to you than to me in my lack of experience in that aspect.

The CHAIRMAN. If you are appointed to the Eximbank Board you serve at the pleasure of the President. How much latitude does that give you and other members of the Board to maintain the independence of the Bank, to choose to follow the congressional intent rather than OMB?

Mr. HELDRIDGE. When you say how much latitude, I don't have a quick response to that.

The CHAIRMAN. Do you feel that you can be independent and serve at the pleasure of the President, or does that mean that you have to follow what OMB tells you to do?

Mr. HELDRIDGE. I can be independent. yes, sir. I intend to be independent, I intend to make a constructive contribution, and at my age and stage that's important to me, or else I wouldn't be here.

The CHAIRMAN. Well, let me pursue this a little further. You're appointed to the Eximbank Board by the President, with the advice and the consent of the Senate. The Bank is not an executive branch agency, even though you are appointed by the President. It is an independent agency. There has been some concern raised, however, that the Bank has been often too willing to heed the concerns of OMB and the administration, too reluctant to respond to the Congress. As an example, many in the Congress, including this Senator, felt that the fiscal year 1982 budget was—the budget authority for the Bank proposed by OMB was inadequate. We worked very hard to change those levels. Now we see in the fiscal year 1983 budget OMB wants the Eximbank not to use $1.22 billion of insurance and guarantee authority, even though they represent the express will of Congress. In other words, what's happening right now, what we approved for this year, not the 1983 budget, they're

trying to say don't use that, and yet that is the level Congress expressly passed, a level less than we originally wanted, and we see OMB trying to subvert even that. So how do you feel about Eximbank's independence there, with OMB saying one thing and Congress saying another, and Eximbank they're following OMB right now.

Mr. HELDRIDGE. I didn't know that the Bank was following OMB's directive there. I thought it was a legal question and that had been resolved, and that the Bank would follow the budget as prescribed by Congress.

The CHAIRMAN. Well, obviously it's not provable until the end of the year when we see what happens, whether they actually do that. But it's certainly clear to me what the intent of Congress was when we passed an appropriations bill. And I don't believe that it is just a matter of presenting an 1983 budget. They're trying to subvert the 1982 budget, even though it was their requested level and not the level that we wanted.

Let me put a case to you and ask you to play a role so that you can understand what is happening to U.S. exports. Put yourself in the position of a major utility concern, say, in East Asia, Thailand, Taiwan, Korea, wherever you want to place it. You decide to build a nuclear power plant so you put out for bids. The Americans offer to build an excellent plant for, say, a billion dollars. You ask about financing, they offer you a package of 42.5 percent coverage, 12 percent for 10 years, with a 2-percent up-front fee. Then the French come along and offer you a similar, but not quite as good nuclear facility, also for a billion dollars with a 10 percent interest rate for 10 years. Which bid are you going to accept, particularly if the total cost of the French package is $200 million less than the United States one because of predatory financing?

Mr. HELDRIDGE. The utility would certainly consider the lesser interest rate more favorable. As a Director of the Eximbank, I would hope we could offer, maybe, longer term; maybe some other repayment schedule that might offset it if we can't meet the competition on the interest rate.

My first reaction as a Director would be to try to meet the competition.

The CHAIRMAN. Well, if a company comes before you, I would hope that would be your response: That you would try to help them and be competitive, with that mandate to be competitive in the charter—a mandated obligation—rather than let that sale leave the country.

Mr. HELDRIDGE. I feel that obligation.

The CHAIRMAN. What, in your opinion, would be the most effective and appropriate way to demonstrate to our trade competitors our seriousness in bringing about an end to predatory official export credit subsidies?

How do we get France to say, Hey, we're willing to be more cooperative and more realistic?

Mr. HELDRIDGE. I really don't have an answer to that. There have been many discussions with France, which you're much more aware of than I am, and attempts to get equal interest rates. I think that, as a Board member, I would look especially hard at cases, loans, where France was competing, and the Board would

Bank, advocating a more aggressive policy role for the Bank, greater independence, more adequate funding, and so forth.

How do you consider yourself?

Will you, as a member of the Bank Board, be a strong advocate for the Bank?

Mr. HELDRIDGE. Yes, sir. I will be a strong advocate for the Bank. I've been a banker all my life. I've been out trying to get business, get deposits, make loans, and help the economic activity in the community or area or State in which I have been working. It's been my philosophy all my life, and I look forward to carrying that philosophy over to the Eximbank.

The CHAIRMAN. Exports are often essential for maintaining the viability of critical domestic industries. One of these in particular is the nuclear power generation industry, which has faced a severe drought in terms of domestic business, in the wake of recent cutbacks in nuclear plant sales in the United States.

Really the only thing that has been keeping that industry alive has been the hope of foreign projects. Now the French and others besides the French are jeopardizing that business, not with superior products or better prices, but again, with attractive, predatory, export credits. With Eximbank support, U.S. companies can compete on equal terms, but these are very expensive projects, around $1 billion or more.

With Eximbank's loan authority at low ebb, perhaps at even less than $4 billion, how would you propose that the Bank be supportive enough of critical U.S. industries to give them even a fair chance of staying alive?

Mr. HELDRIDGE. The Bank, I think, has, from what I can read, historically supported the nuclear power industry and would continue to do so.

The Bank, as I understand it, does not make the political decisions about nuclear power, but on the financing side has made available a high proportion of the assets that it has to lend in support of nuclear plant sales.

The CHAIRMAN. The problem of it is, the assets are just so relatively small, in light of the large-sized costs of these projects, that I don't know how they support it very well with the kind of assets we are making available for them.

Mr. HELDRIDGE. I think the Board has been in the position, from what I can gather, of trying to decide how to allocate some of those funds.

As a lender and banker for 30-some years, I know that loan demand is there. It's everywhere. And if we have the assets to lend, I'm sure we can do it. It's just a matter of getting the right fit.

The CHAIRMAN. Some critics of the Bank suggest that it is not really a very important institution, that it is only a form of welfare for the few wealthy businesses—like Boeing, United Technology, and others. And that bothers me because, again, of what I said earlier. They are big, but they represent thousands of small businesses that supply them. But even more improrantly, it's the thousands of people they employ.

You know, it's fine to rant and rave and say these companies are big, but I'm concerned about those jobs that go to the individuals who work for them.

How do you feel?

Do you think the Bank is important?

Do you think that it has been helpful?

What would our export picture be without it?

Mr. HELDRIDGE. Our export picture would be lessened without the Bank, and it would be improved if the Bank were lending more funds, especially the employment situation would be improved directly in proportion to the amount of money that the Bank puts in to support exports.

The CHAIRMAN. Mr. Charles Lord, nominee to be Vice Chairman of the Bank, stated for the record that if the Congress votes higher appropriations for the Bank than what OMB recommended, "the Eximbank must follow the mandate of Congress and make every effort to use the funds that Congress has provided for the furtherance of U.S. export sales."

Do you agree with that?

Mr. HELDRIDGE. I didn't understand the last part of that, sir.

The CHAIRMAN. I was directly quoting. Simply, what he's saying is that if Congress appoints—or approves more money, as we have done, than OMB wants spent, he feels his responsibility is to see that that money is used as Congress intended them to do, follow the mandate.

Mr. HELDRIDGE. Oh, yes. I agree with Mr. Lord.

The CHAIRMAN. In order to avoid any potential conflicts, it is my understanding that you will sell your stock in Crocker National Bank. Is that correct?

Mr. HELDRIDGE. Yes. I sold it some time ago.

The CHAIRMAN. It is my understanding that you have vested interest in the Crocker National Bank's pension fund and you agree to recuse yourself on any particular matter which involves Crocker National Bank. Is that correct?

Mr. HELDRIDGE. That's correct.

The CHAIRMAN. If confirmed, do you agree to appear before this or other committees, if requested?

Mr. HELDRIDGE. Yes, I do.

The CHAIRMAN. Mr. Heldridge, let me say that, looking at your background, there is no doubt that you are a person who is extremely well qualified for this position, with your broad background in banking and extensive knowledge. And I think that you will be a valuable asset to the Bank.

So, my rather pointed questions certainly were not directed at you or your abilities to perform, or your background and your experience. I think that you are an excellent nominee. I am just concerned about policy, and I hope you understand that.

You haven't been part of this decisionmaking process; it's been coming from higher levels. And I do not think that the Bank has been as independent as it should be. I think they have been following, both this administration and the previous administration, in what OMB wanted.

I would hope that the Bank Board could be more supportive of the Bank. And we are attempting to improve and increase our exports, to create jobs within this country, and not be just a whipping boy for whatever David Stockman would like to send down.

Be a little fighter for some jobs. I would a lot rather spend money for this and create some jobs than vote yesterday, which I did—as did many of us, because we had no choice—to expand the unemployment fund. That isn't very productive spending: to pay people because they can't find a job. I would rather provide that job for them.

Mr. HELDRIDGE. I would certainly support that position, and hope that I, in turn, can make a contribution in that regard.

The CHAIRMAN. Thank you very much. I am sure that there will be additional questions that members of the committee would like to submit to you for your response in writing.

(Information to be furnished.)

The CHAIRMAN. Thank you very much for your appearance here today.

Mr. HELDRIDGE. Thank you.

The CHAIRMAN. The committee is adjourned.

[Whereupon, at 3:30 p.m., the committee was adjourned.]

[Biographical material on Mr. Heldridge and answers to additional written questions follow:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: HELDRIDGE (LAST) RICHARD (FIRST) WALLACE (OTHER)

Position to which nominated: Director Export Import Bank of U.S. Date of nomination: December 8, 1981

Date of birth: 18 (DAY) 9 (MONTH) 18 (YEAR) Place of birth: Wessington Springs South Dakota

Marital status: Married Full name of spouse: Shirley Van Decar Heldridge

Name and ages of children: Kathryn H. 36 Dan R. 26
Michael W. 34 Sarah E. 21

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Central High School Sioux City, Iowa	1933-36		
University of Iowa	1936-40		
Command and General Staff College	1948-49		

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

U.S. Army Bronze Star and eleven lesser decorations and campaign ribbons.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Schedule #1

Organization	Office held (if any)	Dates

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1940 - 1946	U.S. Army World War II	
1946 - 1957	Northwestern National Bank Bank Training Program to ~~Assistant Vice Pres.~~	Minneapolis, Minn.
~~1957~~ - 1960	Northwest Bancorporation Vice President	~~Minneapolis, Minn.~~
1960 - 1961	First National Bank of the Black Hills ~~Rapid city, South Dakota~~ Executive Vice President and Director	
1961 - 1975	Crocker National Bank ~~Executive Vice President~~	San Fransisco, Calif.
~~1975~~ - 1980	Community ~~Bank~~ of San Jose President and Chief Executve Officer Director	~~San Jose, Calif.~~
1978 - 1980	~~Ammex~~ Bank Holding Company President and Chief Executive Officer Director	~~Los Angeles, Calif.~~
1980	Retired	

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

National Alliance of Businessmen - Appointed by President Nixon as Metro Chairman Sacramento Area in 1970 and Metro Chairman Los Angeles County in 1973.

Deputy Chief of Protocol for Governor Reagan 1971-74.

Military Service - World War II 1940-46 and recalled for Korean War 1950-53. From draftee Private to Lieutenant Colonel. Served with First Cavalry Division in Far East in WW II. Served as Planning Officer with Hqs Eighth Army in Korean War. Prepared battle plans for the United Nation Forces in Korea, wrote plan to relocate 175,000 enemy prisoners of war, helped prepare the agenda for the peace negotiations at Panmunjom.

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"Economic Warfare in Peacetime" A monograph accepted by the Command and General Staff College, 1949.

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member of Republican Party.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None over $200 to any one candidate.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Schedule #2

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes I will.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

None

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you intend to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

Schedule #1 Memberships

Organization	Office Held	Dates
California Bankers Association	Treasurer, Director	1974-78
Capital Federal Savings & Loan	Board of Directors	1962-71
Sacramento Clearing House Assoc.	President	1965-6
United Crusades of Sacramento	President	1966
	Board of Directors	1964-69
Sacramento Host Committee	Vice Chairman	1970
	Member	1962-71
Metropolitan YMCA Sacramento	Board of Directors	1965-67
Camellia Festival	Board of Directors	1967-68
United Crusades State of California	Vice President	1968
	Board of Directors	1966-69
Sutter Hospitals	Trustee	1968-71
Mercy Hospital Foundation	Trustee	1964-67
Mercy Hospital Building Campaign	General Chairman	1963
Community Hospital of Los Gatos	Board of Directors	1979-82
Capitol Mall Advisory Commission	Commissioner	1967-69
California State Chamber of Commerce	Member	1966-70
Sacramento Chamber of Commerce	Board of Directors	1964-66
Sacramento San Joaquin Wine & Food Society	Board of Governors	1968-71
Regional Managers Committee Crocker Bank	Chairman	1967-68
Blue Cross of Southern California	Investment Committee	1974
The Management Council of Los Angeles	Board of Directors	1973-74
Better Business Bureau, Los Angeles	Board of Directors	1973
Los Angeles Central City Association	Board of Directors	1971-72
State of California Job Development Corporation	Executive Board	1970-71
Goodwill Industries of San Jose	Board of Directors	1976-79
Citizens Committee for the Redevelopement Agency of San Jose	Chairman	1978-80
Sutter Club Sacramento	Treasurer, Director	1965-71
Del Paso Country Club Sacramento	Member	1961-71
Stock Exchange Club San Fransisco	Member	1974-82
Johnathon Club Los Angeles	Member	1971-73
California Club Los Angeles	Member	1972-78
Wilshire Country Club los Angeles	Member	1971-76
Sainte Claire Club San Jose	Member	1976-80
La Rinconada Country Club Los Gatos	Member	1975-82
Downtown Rotary Club Sacramento	Member	1962-67
Downtown Rotary Club Los Angeles	Member	1971-73
Robert Morris Associates Los Angeles	Member	1972-74
Phi Gamma Delta Fraternity	Member	
Masonic Lodge	Inactive member	
Scottish Rite Bodies	Inactive member	
Ben Ali Shrine	Inactive member	
Royal Order of Jesters	Inactive member	

Religious Affiliation Congregational Church

Schedule #2 Qualifications

The Export Import Bank of the United States has a distinguished history of service to our country. I would rely upon the thirty plus years of banking experince to form a solid foundation for a constructive contribution to the bank and its future.

My early training in banking began as a trainee at Northwestern National Bank, Minneapolis, Minnesota. Many years were spent on the fundmentals of good lending practices and in making loans to individuals and small businesses. I progressed in the organization to Vice President Northwest Bancorporation which owned 76 banks including the Northwestern National.

Most recently my banking career has been with a small bank. The Community Bank of San Jose was a fifty million dollar institution in 1975 when I became President and Chief Executive Officer. By 1980 when I retired we had assets in excess of one hundred million. We had joined with Banco Nacional de Mexico and were doing business on a statewide basis. Iwas also President and Chief Executive Officer for Ammex Bank Holding Company of Los Angeles. This was the first entry of Mexican bank ownership into the United States.

From 1961 to 1975 I was with Crocker National Bank of San Fransisco in various areas of responsibility. In Sacramento I was Senior Vice President and Regional Manager. The duties included supervision of twenty six offices and loans of all types such as agricultural, real estate, consumer, commercial and international.

In Los Angeles for Crocker Bank I was Executive Vice President responsible, along with the Vice Chairman, for all of the bank functions in the Southern California market area.

In October 1973 Crocker Bank purchased the assets and liabilities of the U. S. National Bank of San Diego. It was the largest bank failure in U.S. history and I was sent on short notice to take over that istitution from the court and FDIC. In San Diego I was responsible for amalgamating the headquarters and sixty three offices into the Crocker organization.

In San Fransisco I was placed in charge of all retail banking functions such as supervising the Northern California branches, credit card activities and the administrative departments. During the years at Crocker Bank I served on the Senior Loan Committee and the Credit Policy Committee. Those duties were concerned with the establishment of loan policy and the actual credit decisions on larger loans. These included loans to exporters, importers, agriculture, manufacturing, real estate, construction, leasing and heavy equipment.

I look forward to the opportunity to participate in continuing the excellent record of service of the Export Import Bank under the leadership and direction of its Chairman, the Reagan Administrtion and the Congress.

MR. HELDRIDGE'S ANSWERS TO QUESTIONS FROM SENATOR HEINZ

1. Senator HEINZ. What would be your evaluation of the Eximbank to date?

Mr. HELDRIDGE. Eximbank's record shows that its performance has been good. The Bank has generally been substantially competitive while also operating on a self-sustaining basis financially. I believe the Bank contributes importantly to the export of American goods and to supporting the jobs of Americans. Although the Bank has had difficulty for some time in being fully competitive and, at the same time, being profitable, I believe such a balance can be maintained over the long-term. In the short-term the Bank must continue to be competitive even though it might not be profitable. This will convince our overseas competitors that export credit subsidies which they provide will not be permitted to destroy American export industries.

2. Senator HEINZ. The OMB seems to have some misconceived notions about the Eximbank. Their budget recommendations, for example, would impose some false economies on the Bank and its influence on the Federal Budget. How would you propose to educate the OMB about the importance of Eximbank programs and the positive budgetary impact of its export-promotion?

Mr. HELDRIDGE. I am convinced of the validity of Eximbank's support of exports because I believe that many jobs in the United States depend upon export sales and that increased export sales must be made to support more jobs. We need a continuing trade policy which includes official export credit to compete successfully with the other industrialized countries and some of the developing countries. This requires a longer-term budget perspective than one year at a time. The OMB also should take into account that Eximbank is a lending and guaranteeing agency, not a spending agency. I would hope that we could persuade the OMB and the policy-makers that Eximbank's credit budget must be viewed differently than if it were receiving funds from appropriations which would be spent and gone forever.

3. Senator HEINZ. You have a wealth of experience in banking. What would be the effect on a bank if it were required to carry on its books all of its new loans as though they were expenditures? What justification can you see for requiring the Eximbank to describe in the Federal Budget its loans as expenditures?

Mr. HELDRIDGE. A commercial bank would not be able to operate under a system which required it to carry loans on its books as expenditures. Loans are considered as assets—as resources for earnings. It is not logical to consider Eximbank loans as expenditures either. I recognize and support the need for strong controls on federal spending and credit. However, I do not believe that all credit and spending programs should be treated the same way. Hard but reasonable evaluation requires discriminations which should establish Eximbank as a priority.

4. Senator HEINZ. Could it not be argued that the decreased credit limits which OMB has recommended for the Bank are precisely the opposite of what we ought to be doing right now? Our trade competitors within the OECD show no signs of slackening their credit support for their industries. Yet, they can read in the Washington Post that Exim is in disfavor and readily see our decrease in credit support.

Mr. HELDRIDGE. It is reasonable to argue that decreased Eximbank credit authority will send the wrong signal to our competitors overseas. A strong position is essential to negotiating interest rates nearer to market levels under the International Export Credit Arrangement. Any weakening of Eximbank's capacity to respond to credit competition could be disastrous. We should exercise firmness in a consistent manner.

5. Senator HEINZ. When do you predict that Exim's rates will go down or cover will go up? Under what circumstances are you prepared to support lowering Exim's rate?

Mr. HELDRIDGE. Eximbank's rate of interest should be reviewed regularly by schedule and at any other time when circumstances indicate a need to review the interest rate. The rate generally charged should be determined by the cost of funds including capital and retained earnings, the competition's interest rate, the demand for loans and in some instances national interest considerations. A basic percentage of cover should be used from which variations can be made as necessary to meet the most competitive situations. I would seek to have interest rates competitive and hopefully within our average cost of funds, if not at current borrowing costs. In cases of exceptional importance and on a case-by-case basis, we should consider meeting the competition at rates below cost. However, it would not be wise to use the retained earnings and capital of the Bank extensively unless specific legislation to that effect were approved.

6. Senator HEINZ. Under what circumstances would you support extending preliminary commitments at their old rate?

Mr. HELDRIDGE. When exceptions are made regularly to a policy, the policy has been changed by the exceptions and every borrower expects the same treatment. To meet the competition, Eximbank should make every effort to do so by the use of longer terms and a higher percentage of cover before resorting to breaking its interest rate policy. I would make an exception to interest rate policy when there is no other way to meet the competition and when a combination of factors make the exception essential.

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